

Message Text

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PAGE 01 STATE 087924
ORIGIN NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-08 TRSE-00 SS-15
STR-07 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 SSM-03
L-03 H-01 DOE-15 SOE-02 IO-13 AGRE-00 ICAE-00
NSCE-00 INRE-00 SSO-00 /110 R

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APPROVED BY NEA/EGY:D O NEWBERRY
NEA/ARP:J COUNTRYMAN
AID:NE/ME/E: J ROBERTS

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O 060021Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI IMMEDIATE
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
INFO AMEMBASSY CAIRO IMMEDIATE

C O N F I D E N T I A L STATE 087924

E.O. 11652: GDS

TAGS: EFIN, EAID, EG

SUBJECT: GODE AID TO EGYPT

REF: CAIRO 10005, CAIRO 10061

1. BY SEPTTEL WE HAVE RESPONDED TO ISSUE OF RUMORED POST-PONEMENT OF CONSULTATIVE GROUP MEETING.
 2. WHILE NOT RULING OUT POSSIBLE FUTURE APPROACH TO GODE MEMBERS FOR CONTINUED HIGH LEVELS OF AID, WE BELIEVE IT WOULD BE AWKWARD AT THIS TIME TO MAKE SUCH AN APPROACH
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PAGE 02 STATE 087924

BASED ONLY ON INFO WE HAVE RECEIVED IN CONFIDENCE. THEREFORE, WE SUGGEST THAT ADDRESSEES TALK WITH APPROPRIATE HOST GOVERNMENT OFFICIALS IN GENERAL CONTEXT OF SHARING INFO ON AID PLANS FOR THIS YEAR AND UPCOMING CONSULTATIVE GROUP MEETING ON BASIS THAT WE SHARE CERTAIN COMMON INTERESTS IN A STABLE EGYPT, AND IN ATTEMPT TO DEVELOP INDEPENDENT INFO ON GODE PLANS FOR AID TO EGYPT AND PARTI-

CIPATION IN CG MEETING. POSTS MAY DRAW ON FOLLOWING IN APPROACHING GOVERNMENT OFFICIALS.

3. USG EXECUTIVE BRANCH HAS REQUESTED \$750 MILLION IN SUPPORTING ASSISTANCE FROM CONGRESS FOR EGYPT FOR FY 1979. IN ADDITION, WE ANTICIPATE PL-480 PROGRAMS OF ABOUT \$207

MILLION FOR A TOTAL EFFORT OF \$957 MILLION. SUPPORTING ASSISTANCE WILL BE DIVIDED INTO TECHNICAL ASSISTANCE (\$87 MILLION), CAPITAL PROJECTS (\$413 MILLION) AND COM-MODITY IMPORT FINANCING (\$250 MILLION). COMPARATIVE FIGURES FOR FY 1978 ARE \$54 MILLION (TA), \$396 MILLION (CP), \$300 MILLION (CIP), \$750 MILLION (SSA) AND \$200 MILLION--CURRENTLY--IN PL-480. IT IS POSSIBLE (BUT NOT CERTAIN) THAT FY 1978 PL-480 ASSISTANCE WILL BE INCREASED.

4. WE UNDERSTAND THAT CURRENT, THOUGH NOT FINAL, IMF ESTIMATE OF EGYPTIAN FINANCIAL GAP FOR 1978 IS \$1.3 BIL-LION AND THAT \$500 MILLION IS UNCOVERED. IMF ESTIMATE, HOWEVER, IS BASED ON CERTAIN ASSUMPTIONS ABOUT ITS OWN CONTRIBUTION, WHICH IS NOT FIRM, AND DOES NOT APPEAR TO TAKE INTO ACCOUNT POSSIBLE LOSS TO EGYPT OF EXPORTS AND IMPORTS FROM CHANGING TRADE RELATIONS WITH COMMUNIST COUNTRIES, ESPECIALLY THE SOVIET UNION. FYI. MORGAN-STANLEY PREVIOUSLY HAS ESTIMATED THIS POTENTIAL LOSS AT ABOUT \$500 MILLION WHICH, WHEN ADDED TO \$500 MILLION IMF UN-CONFIDENTIAL

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PAGE 03 STATE 087924

COVERED ESTIMATE, EQUALS MORGAN-STANLEY'S \$1 BILLION GAP FIGURE. END FYI. ANY UNCERTAINTY IN EGYPT'S RESIDUAL FINANCIAL NEEDS SHOULD BE RESOLVED BEFORE THE CG MEETING IN PARIS.

5. USG CURRENTLY IS DEVELOPING ITS POSITION FOR THE CG MEETING IN PARIS AND WOULD WELCOME CODE MEMBER VIEWS ON MEETING OR EGYPT'S ECONOMIC/FINANCIAL NEEDS IN GENERAL. WE ARE ENCOURAGED BY EGYPT'S EVIDENT ECONOMIC PROGRESS IN 1977 AS REFLECTED IN WORLD BANK AND IMF REPORTS. WE CONTINUE TO FEEL THAT EGYPT NEEDS THE CONTINUING SUPPORT FROM ALL ITS DONORS. WHILE EGYPT HAS MADE SIGNIFICANT STRIDES IN REDUCING ITS FINANCIAL BURDENS, WE SEE A CONTINUING NEED FOR ALL FORMS OF ASSISTANCE EGYPT CUR-RENTLY IS RECEIVING.

6. AS POSTS PROBABLY AWARE, CODE MANAGEMENT, ESPECIALLY DUKHAIL, IS INCLINED TO EXPRESS MUCH HARDER LINE THAN CODE POLICY MAKERS OR HIGH GOVERNMENT OFFICIALS SEEM EVENTUALLY WILLING TO SUPPORT.

7. DEPARTMENT WOULD APPRECIATE EARLY REPORTS ON YOUR

CONTACTS WITH HOST GOVERNMENTS. VANCE

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